GREAT LAKES PILOTAGE AUTHORITY

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SUMMARY

OF THE CORPORATE PLAN

2009 to 2013

Includes:

Operating Budget – 2009

Capital Budget - 2009

GREAT LAKES PILOTAGE AUTHORITY
SUMMARY OF 2009-2013 CORPORATE PLAN

MANDATE

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The *Pilotage Act* provides that the pilotage tariffs shall be fair, reasonable and sufficient and, together with any revenue from other sources, shall permit the Authority to operate on a self-sustaining financial basis.

BACKGROUND

The Great Lakes Pilotage Authority, Ltd. was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority is deemed to have been established under subsection 3(1) of the *Pilotage Act*. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*. On October 1st, 1998, the Authority ceased to be a subsidiary of the St. Lawrence Seaway Authority and has surrendered its charter under the *Canada Business Corporations Act*.

POWERS

To carry out its responsibilities the Authority has made regulations, approved by Order-in-Council, pursuant to the *Pilotage Act* for:

1. The establishment of compulsory pilotage areas.

2. The prescription of the ships or classes of ships subject to compulsory pilotage.

3. The prescription of the classes of pilot licenses and classes of pilotage certificates that may be issued.

4. The prescription of the tariffs of pilotage charges to be paid to the Authority for pilotage services

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In addition, the Authority is empowered by the *Pilotage Act* to:

1. Employ such officers and employees, including licensed pilots, as required.
2. Contract with a body corporate for the services of licensed pilots.
3. Make by-laws respecting the management of its internal affairs.
4. Purchase, lease or otherwise acquire land, buildings, pilot boats and such other equipment and assets as may be required and to dispose of any such assets acquired.
5. Borrow money for the purpose of defraying the expenses of the Authority.
6. With the approval of the Minister of Finance, invest any money not immediately required for the purposes of the Authority in bonds or other obligations of or guaranteed by Her Majesty in right of Canada and Provincial Treasury Bonds guaranteed by the Provincial Governments.

CORPORATE OBJECTIVES

The Authority's corporate objectives are summarized as follows:

- To provide economic, safe, reliable and comprehensive marine pilotage and related services in its region of responsibility.
- To promote the effective utilization of the Authority's facilities, equipment and expertise through the productive application of these resources in such activities and geographic areas as may be appropriate in the interest of safe navigation.
- To provide the above services within a commercially-oriented framework directed toward achieving and maintaining financial self-sufficiency at the least cost to the user.
- To be responsive to the Government's environmental, social and economic policies.

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SUMMARY OF 2009-2013 CORPORATE PLAN

DESCRIPTION OF THE OPERATIONS

The Authority operates in the interest of safety, a marine pilotage service in all Canadian waters in the Provinces of Ontario, Manitoba and in Quebec south of the northern entrance to the St. Lambert Lock.

Services are provided through the performance of pilotage assignments to those vessels entering the region which are subject to compulsory pilotage by pilots employed by the Authority, using pilot boats contracted by the Authority and dispatch services, both controlled through Pilotage Headquarters at Cornwall.

The Authority must co-ordinate its efforts and operations with a number of other organizations such as The St. Lawrence Seaway Management Corporation and the United States Seaway Development Corporation, who operate the lock facilities, and maintain traffic control systems within the Region; the Canadian Coast Guard, who provide aids to navigation and the United States Coast Guard, who are responsible for the United States pilotage matters in international waters.

The Great Lakes Pilotage region is divided as follows:

- Cornwall District
- International District No. 1
- Lake Ontario
- International District No. 2 (including the Welland Canal)
- International District No. 3 (including Lakes Huron, Michigan and Superior)
- The Port of Churchill, Manitoba

CORPORATE GOVERNANCE

Corporate Governance is the process of establishing and monitoring, the policies and procedures which will ensure the stewardship of the business and affairs of the Authority, including financial viability.

The Authority's Board of Directors is comprised of a Chairman, two Pilot representatives, two Shipping Industry representatives and two representatives of the public interest. This structure provides effective channels of communication and encourages better understanding of the requirements of the major users.

The Canada Marine Review Panel has recommended that the present Board

structure be included in the *Pilotage Act*.

The Chairman and two Board members are also designated as members of the Audit Committee. At regular meetings, the Audit Committee reviews the financial performance of the Authority. After the Audit Committee's review, the financial statements are presented at the meeting of the Board of Directors for formal acceptance.

During 2008, the Board of Directors engaged the services of a professional accounting firm to serve as internal auditors of the Authority.

The Authority complies with the Treasury Board guidelines on corporate governance practices.

EXECUTIVE SUMMARY

The Authority's corporate objectives are summarized as follows:

- To provide economic, safe, reliable and comprehensive marine pilotage and related services in its region of responsibility.
- To promote the effective utilization of the Authority's facilities, equipment and expertise through the productive application of these resources in such activities and geographic areas as may be appropriate in the interest of safe navigation.
- To provide the above services within a commercially-oriented framework directed toward achieving and maintaining financial self-sufficiency at the least cost to the user.
- To be responsive to the Government's environmental, social and economic policies.

These objectives are established in the *Pilotage Act* 1972 and have been embraced by the Board of Directors as recent as the last Strategic Planning meeting held in June 2008. The Authority is forecasting its third consecutive operating surplus in 2008 and is planning on generating additional surpluses in the 2009-2013 planning period in order to eliminate the accumulated deficit in place at January 1, 2008.

The Authority is scheduling a 8% net tariff increase in 2009 in order to generate more revenue to offset the dramatic reduction in traffic in 2008 in the Great Lakes caused by the international economic slowdown which is predicted to send the North American economy into a

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recession. The Authority has the opted to reduce pilot levels in 2009 while maintaining an efficient pilotage service. An economic turnaround is expected for 2010 at which time all Authority employees/pilots will be needed to efficiently service this increase in traffic.

Tariffs increases for the 2011–2013 planning period are expected to average the cost of living.

The Authority is planning on amending its regulations relating to pilot recruitment in order to respond to the apparent reduction in qualified seamen in the country. These changes will allow the Authority to continue to recruit the best candidates to assure a high level of safety for all users.

The Authority will also work with Transport Canada, Infrastructures and Communities in addressing the 1999 CTA recommendation to enhance the Authority's requirements for Canadian vessels who obtain exemption from Pilotage when navigating in the Great Lakes. This process of enhancing the regulations is expected to be settled in 2009.

The Authority is planning on conducting an internal audit to determine whether the existing management practices and processes adequately consider the quality and reliability of outsourced pilot boats to reduce the risk of delays in service.

The Authority is expected to have a small reduction in its workforce but is not expected to incur any significant Capital outlay during the planning period.

The majority of the Authority's collective agreements are in place until 2012 and the few that are not, are expected to be renewed in early 2009. No work stoppage is anticipated.

REVENUE AND TRAFFIC

The Authority operates in an environment where a number of factors can affect its operation significantly. Some of these factors are: grain exports, steel imports/exports, Canadian/American economy, the China factor, the value of the Canadian dollar and the world credit crisis. Anyone of these factors could impact the Authority's vessel traffic in the Great Lakes which in turn could impact Pilotage revenue and profitability of the Authority. The factors on their own or in concert with each other cannot be forecasted with any accuracy and leaves the Authority waiting to see the effects once changes in the environmental factors is experienced. The industry and users have indicated that they are willing to fund pilotage during the periods when demand is low as they cannot afford any delays when demand increases. We have seen that in times when demand increases slightly (1%) delays can increase significantly which becomes very costly to the users.

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The Authority forecast inflation to be at 2.5% per year for the planning period and interest rates to be at the same level as 2008. The Authority forecasts traffic to be 5,800 assignments for 2009.

Also, the Authority has collective agreements, service contracts and leases that it must honor during the planning period as these are explained in this section.

COLLECTIVE LABOUR AGREEMENTS

The Authority has five Collective Agreements, four with Pilot Corporations and one with Public Service Alliance of Canada (P.S.A.C.) which represents the clerical staff and dispatchers employed by the Authority. Two pilot collective agreements have been renegotiated for a five year period and will expire March 31, 2012. The Authority is presently negotiating collective agreements with the two other pilot groups and is expected to be completed in late 2008 or early 2009. The pilots and the Authority have also entered into agreement to give up their right to strike and withhold services for a period of five years up to March 31, 2011. The collective agreement with P.S.A.C. employees expired June 30, 2006 and the Authority expects to reach an agreement with this group of employees before the end of 2008. The Authority plans to settle the outstanding collective agreements with salary increases based on the cost of living.

PILOT BOAT CONTRACTS

The Authority contracts for pilot boat services at both Port Weller and Port Colborne. These contracts are in place up to the 2010 season.

Both of these pilot boats (including crew) are at a fixed rate per month. The cost of obtaining this service is approximately $525,000 per annum for both contracts.

LAND TRANSPORTATION CONTRACTS

The contract for Land Transportation services to transfer pilots between St. Lambert and Beauharnois, Quebec, and Cornwall, Ontario will expire on December 31, 2009. The contract for Land Transportation services to transfer pilots between Cornwall, Ontario and Snell Lock (U.S.), St. Lambert, Quebec and Cape Vincent, New York will expire on December 31, 2008. The contract for the Land Transportation services to transport pilots to points in the area of the Welland Canal will expire on December 31, 2008.

The cost of obtaining these services will be directly related to the volume of assignments. The cost for 2009 is estimated to be $400,000.

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It is difficult to forecast these cost increases over the planning period because of the upward pressure on oil and gas prices and insurance costs. The exact effect of these increases cannot be forecasted at this time.

LEASES

The Authority relocated its head office to a new location in 1994. The head office facility is under a five (5) year lease, which expires in 2009. This lease has an annual cost of approximately $58,000 for 2008 and increases as per the Canadian Consumer Price Index for 2009. The Authority is presently negotiating with its landlord, the St. Lawrence Seaway Management Corporation to renew this lease.

COMPUTER SYSTEM SUPPORT

The Authority has a computer software and Web-site support agreement with Klein Systems of Vancouver, B.C. for a fixed annual price of $21,000 per year. This agreement is a yearly one and can be terminated without cost at any time.

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SUMMARY OF 2009-2013 CORPORATE PLAN

STATEMENT OF HUMAN RESOURCES

GREAT LAKES PILOTAGE AUTHORITY

CORPORATE PLAN

STATEMENT OF HUMAN RESOURCES AT YEAR END

	ACTUAL 2003	ACTUAL 2004	ACTUAL 2005	ACTUAL 2006	ACTUAL 2007	FORECAST 2008	BUDGET 2009	BUDGET 2010	BUDGET 2011	BUDGET 2012	BUDGET 2013
ADMINISTRATION											
CEO	1	1	1	1	1	1	1	1	1	1	1
ADMINISTRATIVE OFFICERS	5	4	4	5.0	6	6	6	6	6	6	6
ADMINISTRATIVE SUPPORT	4.5	3.5	3.5	3.5	3	3	3	3	3	3	3
TOTAL	10.5	8.5	8.5	9.5	10	10	10	10	10	10	10
OPERATION											
FULL TIME PILOTS	60	60	59	60	61	61	59	59	59	59	59
CONTRACT PILOTS (5)	5	4	1	3	2	3	3	3	3	3	3
DISPATCHERS (Full time)	8	8	8	8	8	8	8	8	8	8	8
DISPATCHERS (Part time) (5)	2	2	2	1	2	2	2	2	2	2	2
	71.5	71	68.5	70	71	71.5	69.5	69.5	69.5	69.5	69.5
TOTAL MANPOWER	82.0	79.5	77.0	79.5	81.0	81.5	79.5	79.5	79.5	79.5	79.5

FULL TIME PILOTS AT DECEMBER 31

	2008	2009
CORNWALL DISTRICT	22	21
DISTRICT NO. 1	8	8
LAKE ONTARIO	6	6
DISTRICT NO. 2	21	21
DISTRICT NO. 3	4	3
	61	59

CONTRACT PILOTS (.5) AT DECEMBER 31

CORNWALL DISTRICT	2	2
DISTRICT NO 1	-	-
DISTRICT NO 2	1	1
CHURCHILL	-	-
	3	3
TOTAL PILOTS	62.5	60.5

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SUMMARY OF 2009-2013 CORPORATE PLAN

INCOME STATEMENT

GREAT LAKES PILOTAGE AUTHORITY

CORPORATE PLAN

(000'S)

	ACTUAL 2007	FORECAST 2008	BUDGET 2009	BUDGET 2010	BUDGET 2011	BUDGET 2012	BUDGET 2013
REVENUES							
PILOTAGE	$ 18,236	$ 16,035	$ 16,641	$ 18,305	$ 19,763	$ 19,232	$ 19,713
TEMPORARY SURCHARGE	372	315	998	-	-	-	-
INVESTMENTS	42	30	40	50	60	70	80
OTHER	80	65	75	75	75	75	75
TOTAL	$ 18,730	$ 16,445	$ 17,754	$ 18,430	$ 19,898	$ 19,377	$ 19,868
EXPENSES							
PILOT WAGES	$ 7,539	$ 7,814	$ 7,899	$ 8,096	$ 8,298	$ 8,505	$ 8,718
PILOT OVERTIME	1,994	1,325	1,360	1,395	1,430	1,465	1,500
PILOT PRODUCTIVITY	1,860	995	1,020	1,045	1,070	1,095	1,120
PILOT FRINGE BENEFITS	1,837	1,900	1,910	1,958	2,007	2,057	2,108
OPERATION SALARIES	712	758	778	797	817	837	858
OPERATION FRINGE BENEFITS	200	212	218	223	229	234	240
TRAVEL EXPENSES	1,121	1,060	1,090	1,125	1,160	1,195	1,230
PILOT BOAT	598	605	630	660	690	700	720
LAND TRANSPORTATION	476	450	460	470	480	490	500
PILOT LAPTOP & NAVIGATION SOFTWARE	189	174	116	116	116	116	116
TERMINATION BENEFITS	271	(359)	226	232	240	248	256
COMMUNICATION	43	50	50	50	50	50	50
DISPATCH SERVICES	62	50	50	50	50	50	50
UTILITIES, SUPPLIES & RENT	149	160	170	170	170	170	170
TRAINING	98	98	-	100	100	100	100
TOTAL	$ 17,139	$ 15,292	$ 15,977	$ 16,487	$ 16,997	$ 17,312	$ 17,736
OPERATING MARGIN	$ 1,591	$ 1,153	$ 1,777	$ 1,943	$ 2,001	$ 2,065	$ 2,132
ADMINISTRATION EXPENSES							
SALARIES	$ 552	$ 573	$ 588	$ 603	$ 618	$ 633	$ 649
FRINGE BENEFITS	131	132	135	139	142	146	149
UTILITIES AND RENT	68	105	90	90	90	90	90
RETIRED EMPLOYEES BENEFITS	13	12	10	10	10	8	8
DIRECTOR FEES	60	60	60	60	60	60	60
DIRECTOR TRAVEL	92	80	80	80	80	80	80
ADMINISTRATION TRAVEL	75	100	75	100	75	100	75
COMMUNICATION	12	15	15	15	15	15	15
TERMINATION BENEFITS	61	(101)	56	60	64	68	72
PROFESSIONAL FEES	172	80	100	100	100	100	100
TRAINING	7	10	10	10	10	10	10
AMORTIZATION	56	61	60	55	45	45	45
INTEREST EXPENSE	30	18	15	10	-	-	-
TOTAL	$ 1,329	$ 1,145	$ 1,294	$ 1,332	$ 1,309	$ 1,355	$ 1,353
SURPLUS (LOSS) FROM OPERATIONS	$ 262	$ 8	$ 483	$ 611	$ 692	$ 710	$ 779
GAIN FROM EXTRAORDINARY ITEM	-	-	-	-	-	-	-
SURPLUS (LOSS) FOR THE YEAR	$ 262	$ 8	$ 483	$ 611	$ 692	$ 710	$ 779
TARIFF ADJUSTMENTS	2.5%	4.0%	4.0%	10.0%	2.5%	2.5%	2.5%
2% TEMPORARY SURCHARGE	2.0%	2.0%	6.0%	0.0%	0.0%	0.0%	0.0%
RATE OF INFLATION	2.2%	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%
RATE OF WAGE INCREASE	2.50%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
ASSIGNMENTS	6,838	5,800	5,800	5,800	5,800	5,800	5,800

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SUMMARY OF 2009-2013 CORPORATE PLAN

BALANCE SHEET

GREAT LAKES PILOTAGE AUTHORITY

CORPORATE PLAN

(000'S)

	ACTUAL 2007	FORECAST 2008	BUDGET 2009	BUDGET 2010	BUDGET 2011	BUDGET 2012	BUDGET 2013
ASSETS							
CURRENT ASSETS							
CASH	$ 233	$ 197	$ 222	$ 200	$ 161	$ 142	$ 294
SHORT TERM INVESTMENTS	3,730	2,434	2,824	3,524	4,324	5,124	5,824
ACCOUNTS RECEIVABLE	2,486	2,120	2,330	2,425	2,520	2,620	2,725
	6,449	4,741	5,376	6,149	7,005	7,886	8,843
LONG TERM INVESTMENTS							
LONG TERM INVESTMENTS - REGULAR	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
FIXED ASSETS	593	730	800	860	910	960	1,010
LESS: ACCUMULATED DEPRECIATION	(455)	(516)	(576)	(631)	(676)	(721)	(766)
	138	214	224	229	234	239	244
TOTAL ASSETS	$ 6,587	$ 4,955	$ 5,600	$ 6,378	$ 7,239	$ 8,125	$ 9,087
LIABILITIES							
BANK INDEBTEDNESS AND BANK OVERDRAFT	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	6,225	5,225	5,355	5,490	5,625	5,765	5,910
ACCRUED TERMINATION BENEFITS	3,688	3,048	3,080	3,112	3,146	3,182	3,220
TOTAL LIABILITIES	9,913	8,273	8,435	8,602	8,771	8,947	9,130
SHAREHOLDER EQUITY							
COMMON STOCK	-	-	-	-	-	-	-
CONTRIBUTED CAPITAL	82	82	82	82	82	82	82
ACCUMULATED DEFICIT	(3,408)	(3,400)	(2,917)	(2,306)	(1,614)	(904)	(125)
	(3,326)	(3,318)	(2,835)	(2,224)	(1,532)	(822)	(43)
TOTAL LIABILITIES AND EQUITY	$ 6,587	$ 4,955	$ 5,600	$ 6,378	$ 7,239	$ 8,125	$ 9,087

GREAT LAKES PILOTAGE AUTHORITY
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STATEMENT OF CASH FLOWS

GREAT LAKES PILOTAGE AUTHORITY

CORPORATE PLAN

($000'S)

	ACTUAL 2007	FORECAST 2008	BUDGET 2009	BUDGET 2010	BUDGET 2011	BUDGET 2012	BUDGET 2013
CASH PROVIDED BY (USED IN):							
OPERATING ACTIVITIES							
NET SURPLUS (LOSS) FOR THE YEAR	$ 262	$ 8	$ 483	$ 611	$ 692	$ 710	$ 779
ITEMS NOT REQUIRING CASH							
EMPLOYEE FUTURE BENEFITS	235	(640)	32	32	34	36	38
AMORTIZATION	56	61	60	55	45	45	45
UNREALIZED GAINS ON INVESTMENTS	(23)						
AMORTIZATION OF DISCOUNT ON INVESTMENTS	-	-	-	-	-	-	-
GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	-	-	-	-	-	-	-
NET CHANGE IN NON CASH WORKING CAPITAL	(206)	(634)	(90)	40	40	40	40
	$ 324	$ (1,205)	$ 496	$ 738	$ 811	$ 831	$ 902
INVESTING ACTIVITIES							
PURCHASE OF INVESTMENTS	(4,906)	(3,600)	(4,000)	(4,700)	(5,500)	(6,300)	(7,000)
DISPOSAL OF INVESTMENTS	5,054	4,906	3,600	4,000	4,700	5,500	6,300
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT	-	-	-	-	-	-	-
ACQUISITION OF CAPITAL ASSETS	(50)	(137)	(70)	(60)	(50)	(50)	(50)
	$ 98	$ 1,169	$ (470)	$ (760)	$ (850)	$ (850)	$ (750)
INCREASE (DECREASE) IN CASH	422	(36)	25	(22)	(39)	(19)	152
CASH, BEGINNING OF YEAR	(189)	233	197	222	200	161	142
CASH, END OF YEAR	$ 233	$ 197	$ 222	$ 200	$ 161	$ 142	$ 294

GREAT LAKES PILOTAGE AUTHORITY
SUMMARY OF 2009-2013 CORPORATE PLAN

CAPITAL BUDGET

GREAT LAKES PILOTAGE AUTHORITY

CORPORATE PLAN

(000'S)

	ACTUAL 2007	FORECAST 2008	BUDGET 2009	BUDGET 2010	BUDGET 2011	BUDGET 2012	BUDGET 2013
BUILDINGS	$ -	$ -	$ 20	$ 20	$ -	$ -	$ -
FURNITURES & FIXTURES	9	71	30	20	20	20	20
COMPUTER HARDWARE & SOFTWARE	41	66	20	20	30	30	30
	$ 50	$ 137	$ 70	$ 60	$ 50	$ 50	$ 50

In 2009 and 2010, the Authority plans to spend $20,000 each year to upgrade its pilot waiting station in St. Lambert. In 2009, the Authority plans to spend $30,000 on leasehold improvements at its head office in Cornwall. During the planning period, the Authority will continue to invest in the Authority's operating software and hardware.